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C O N F I D E N T I A L SECTION 01 OF 04 RANGOON 001014

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STATE FOR EAP/BCLTV, EAP/CM, EB
COMMERCE FOR ITA JEAN KELLY
USPACOM FOR FPA

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TAGS: [PREL](#) [ECON](#) [PGOV](#) [PHUM](#) [BM](#) [CH](#)

SUBJECT: BURMESE PRIME MINISTER KHIN NYUNT: CHINA FREQUENT
FLYER

REF: A. BEIJING 12309

[B](#). RANGOON 876

[C](#). RANGOON 417

Classified By: Classified By: CDA a.i. RONALD MCMULLEN FOR REASONS 1.4
(B,D)

[1](#)1. (C) Summary: Both the PRC Embassy and the Burmese Ministry of Foreign Affairs (MOFA) described Burmese Prime Minister Khin Nyunt's 11-18 July visit to China, his eighth overall though the first as PM, as a huge success. The visit, during which Khin Nyunt met senior Chinese leaders and reportedly discussed Burma's "road map" to democracy, focused heavily on economics and resulted in 12 signed agreements (detailed below). Both the PRC CDA and a MOFA official alluded to problems with Burma's capacity to move forward on joint projects in a timely manner. In related events, the COM offered to broker an informal exchange between Chinese Embassy officials and NLD members at her residence. COM also raised with the PRC CDA press reports claiming a purported U.S.-based Chinese dissident had been arrested in Burma and turned over to Chinese authorities. Separately, an NLD CEC member told the PRC DCM that the PRC model of economic development leading to political change was a good model for Burma. End Summary.

Is the Carrot Too Big For the Stick?

[1](#)3. (C) COM and Pol/Econoff met with Chinese Charge d'Affaires (CDA) Yu Boren on July 23 for a readout of the 11-18 July visit to China of Burmese Prime Minister (PM) General Khin Nyunt. Yu's comments were consistent with those reported ref A. Yu described the visit, the eighth by Khin Nyunt to China but his first as PM, as successful, resulting in 11 (actually 12) signed agreements, and confirmed that at seven days, it was somewhat longer than similar trips hosted by China for foreign dignitaries. Yu said the focus of discussions had been bilateral relations, noting that Khin Nyunt's access to President Hu Jintao, Premier Wen JiaBao, Chairman of the National People's Congress Wu Bangguo, and Politburo Standing Committee Member Luo Gan illustrated the importance China had attached to the visit. On the political side, Yu said Khin Nyunt had raised Burma's National Convention and stressed his commitment to the "road map" to democracy in his meetings with Chinese leaders. In response, Yu claimed China urged accelerated democratization and political reconciliation, while reaffirming its policy of non-interference in Burma's internal affairs.

[1](#)4. (C) COM asked Yu how China reconciled what appeared to be diverging messages to the GOB, encouraging accelerated political reform while providing continued and extensive economic assistance not tied to progress on the political front. Yu said that the GOB attached great importance to China's advice and that China had urged the GOB to respond positively to international offers of assistance and to move forward with political reconciliation. Yu pointed to Khin Nyunt's comments to Chinese leaders that political stability led to economic growth as evidence of Khin Nyunt's commitment to move forward with democratization. (Comment: A rather optimistic interpretation in our view. End Comment.)

[1](#)5. (C) COM pressed Yu for details on several of the new economic agreements, including the size of a debt rescheduling agreement (ref C); what the "Master Plan for Hydropower Projects" entailed; and whether the GOB was able to use/spend the aid/loans being provided by China effectively. Yu did not offer any statistics on debt rescheduling. On hydroelectric power, he said that China's objective was to help Burma harness its considerable water resources to generate local electricity for domestic consumption. Yu assessed that Chinese economic assistance had been somewhat effective overall, but did not provide details. He noted some Chinese-sponsored projects had not been successful because insufficient attention had been paid to issues such as the local availability of needed raw materials and markets. Yu remarked that the GOB needed to adopt a new style of economic management, which is why the GOB delegation's visit to several of China's Special Economic

Zones (SEZ) had been so important.

16. (C) On the margins of the discussion, COM offered to host a lunch to broker an informal exchange between Chinese Embassy officials and NLD members at her residence; Yu said he would raise the matter with his ambassador. COM also asked about press reports claiming that in late May, a purported U.S.-based Chinese dissident, Peng Ming, had been arrested in Burma and turned over to Chinese authorities. Yu, with apparent sincerity, said that he had no knowledge of the incident; requested copies of the relevant press reports; and commented in English that China and Burma have a "special relationship" and that "if would be dangerous for such people to come here." (Note: GOB sources separately affirmed that Burmese authorities arrested and handed Peng Ming over to PRC officials in late May. End Note.)

The Burmese Take...

17. (C) MOFA DG for Political Affairs, U Thaung Tun, in a July 27 meeting with visiting EAP/BCLTV deputy director and P/E chief, said Khin Nyunt's visit was a logical step "in a history of long relations" and that the Chinese "went the extra mile" to put on a productive and welcoming visit. The DG said Khin Nyunt held a number of senior-level meetings to discuss expanding bilateral cooperation (especially in the energy and counternarcotics sectors) and to address regional peace and security issues (including initiatives to increase ASEAN integration with greater Asia). Pol/Econoff separately met with MOFA Assistant Director (AD) of the East Asia and Pacific Division Political Department U Aung Kyaw Zan on August 2. The AD described Khin Nyunt's visit as "successful and very significant" and provided a detailed overview of the 12 agreements that had been signed (see below annex). The AD noted that Khin Nyunt and Luo Gan had discussed expanding the scope of cooperation on border issues beyond the parameters of an agreement signed in 1997. Areas identified for broadened cooperation were narcotics, transnational crime, and boundary issues. The AD suggested that there were plans to open two or three additional border points within the next few years.

18. (C) The AD said the most important of the 12 agreements signed was the one related to hydropower, which includes Chinese support for a 750 megawatt power plant. (Note: In contrast to information received from the Chinese CDA, MOFA DG and AD said 12 agreements had been signed; 11 in Beijing and a 12th in Shenzhen. A list of the agreements is provided below; all detail was provided by MOFA AD.) When asked if there were any points of friction in the Sino-Burma relationship, the AD remarked that the Chinese have been disappointed with Burma's ability to implement projects in a timely manner, although he characterized the issue as "minor." The AD said that Khin Nyunt had extended an invitation to Chinese Premier Wen Jiabao to visit Burma, but that there had been no discussion of possible timing thus far.

NLD CEC Member Meets Chinese DCM

19. (C) At a reception hosted by COM July 27, P/E Chief facilitated the introduction of NLD CEC member and economic policy advisor U Nyunt Wei and Chinese DCM Yu Boren. During the ensuing conversation, Yu stated that Burma had made progress on economic development but that more needed to be done. Yu characterized Khin Nyunt as someone who had a true understanding of the type of economic development strategy Burma needed to employ in order to advance; but was noncommittal on whether he believed Khin Nyunt had the authority to move forward with his economic agenda. For his part, Nyunt Wei indicated that the Chinese model, which he defined as pursuing economic development and transition to a market economy in order to achieve increased political freedoms, was one that Burma should seek to emulate.

China: Friend or Foe?

110. (C) When asked whether Chinese economic assistance was viewed by the majority of Burmese people as generally positive or negative, an NLD MP-Elect said that many Burmese viewed the Chinese with suspicion and considered Chinese products available in the Burmese market to be of extremely low quality. MOFA AD was somewhat less negative, expressing his view that while there was suspicion and mistrust, there also was recognition that China was bringing benefits to Burma. The AD was unwilling to engage on the degree to which senior SPDC leaders, some of whom had been involved in suppressing the Burmese Communist insurgency, harbored lingering mistrust of Chinese intentions.

Annex: List of Signed Agreements

111. (U) The following is a list of signed agreements between the PRC and the GOB (all detail provided by GOB):

1) Agreement on Economic and Technical Cooperation between the Government of the Union of Myanmar and the Government of the People's Republic of China. China is to provide a mobile x-ray container for use in border inspections on the China/Burma border. (ref B)

2) Exchange of Notes on the Project of International Convention Center. China is to send experts to Burma to identify and survey a site for a new international convention center, construction of which is to be completed prior to Burma's assumption of the ASEAN Chairmanship in 2006.

3) Exchange of Notes on the Master Plan for Hydropower Projects in Myanmar. China will provide a \$5 million grant to formulate a comprehensive hydropower plan for Burma; this agreement was an outgrowth of the March 2004 visit by Vice Premier Wu Yi.

4) Exchange of Notes on the Master Plan for Thanlyin-Kyauktan Industrial Zone. Myanmar has invited unnamed/unspecified Chinese companies, many of which are based in Shanghai, to invest in the industrial zone, which will focus on information technology and the information industry. While Myanmar is using China's Special Economic Zones (SEZ) as a model for this initiative, Myanmar is not seeking to emulate a particular SEZ.

5) Exchange of Notes extending 50 Million RMB Yuan interest-free loan for the provision and shipment of rails for the Myanmar Government.

6) MoU between the Ministry of Communications, Posts and Telegraphs of the Union of Myanmar and the Ministry of Information Industry of the People's Republic of China in the field of Information and Communications. China will assist Myanmar in formulating communications policy and development strategies and building communications infrastructure in Myanmar. Chinese companies expected to be involved in this initiative are ZTE (Zhongxing Telecommunications) and Shanghai Bell.

7) Agreement on the Financing Plan for No 4 Urea Fertilizer Factor at Taikkyi between the Export-Import Bank of China and the Ministry of Finance & Revenue of the Union of Myanmar. China will provide a \$195 million concessional loan/export buyer credit at 3% annual interest.

8) Debt Rescheduling Agreement between China Export & Credit Insurance Corporation and the Ministry of Finance & Revenue of the Union of Myanmar. The agreement rescheduled \$94 million in debt that was due on November 1, 1999. China has extended a two-year grace period, which started on July 1, 2004. (Note: This is less than the \$120 million in debt that an earlier draft of the agreement proposed to reschedule (ref C)).

9) Supply Contract for Myanma National Telecommunication Network Construction Project between Myanma Posts and Telecommunications and ZTE Corporation. China will provide a \$150 million low interest loan.

10) Tagaung Taung Nickel Mineral Exploration and Feasibility Study Agreement between No 3 Mining Enterprise and China Non-ferrous Metal Mining & Construction Co Ltd. An area in Mandalay Division has been designated for exploration. China and Burma are to investigate and evaluate the economic potential of this proposed endeavor within one year.

11) MoU between the Ministry of Industry-1 of the Union of Myanmar and China Metallurgical Construction (Group) Corporation for Extension of 200 TPD Pulp Plant (Thabung) and Proposed 500 TPD Plant (Rakhine).

12) The Supply Contract between Myanma Post and Telecommunications and ZTE Corporation for GSM Expansion Project. This is a deferred payment agreement. China has agreed to defer payment for 10 years as of 2004; there will be a two-year grace period from 2004-2006, followed by an eight-year repayment plan. The interest rate on the loan is 3%.

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